

CITY OF GRINNELL, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

CITY OF GRINNELL, IOWA  
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CITY OF GRINNELL, IOWA  
OFFICIALS  
June 30, 2016

(Before January, 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gordon Canfield	Mayor	January, 2016
James White	Council Member	January, 2018
Julie Hansen	Council Member	January, 2018
Jo Wray	Council Member	January, 2016
Rachel Bly	Council Member	January, 2018
Sondra Burnell	Council Member	January, 2016
Byron Hueftle-Worley	Council Member	January, 2016
Russell Behrens	City Manager	Appointed
P. Kay Cmelik	City Clerk/Finance Director	Appointed
William Sueppel	City Attorney	Appointed

(After January, 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gordon Canfield	Mayor	January, 2018
James White	Council Member	January, 2018
Julie Hansen	Council Member	January, 2018
Jo Wray	Council Member	January, 2020
Rachel Bly	Council Member	January, 2018
Sondra Burnell	Council Member	January, 2020
Byron Hueftle-Worley	Council Member	January, 2020
Russell Behrens	City Manager	Appointed
P. Kay Cmelik	City Clerk/Finance Director	Appointed
William Sueppel	City Attorney	Appointed

# Gronewold, Bell, Kyhnn & Co. P.C.

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and  
Members of the City Council

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grinnell's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 5f and 27 through 34, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and  
Members of the City Council

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2017 on our consideration of the City of Grinnell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Grinnell's internal control over financial reporting and compliance.

*Grinnell, Bea, Kynan & Co. P. C.*

Atlantic, Iowa  
January 16, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Grinnell provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the Government-wide Financial Statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position are divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, solid waste, and storm sewer activities. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These funds focus on how money flows into and out of the funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, solid waste and storm sewer. The water, sewer, solid waste, and storm sewer funds are considered to be major enterprise funds of the city.

The required financial statement for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's balance for governmental activities decreased approximately \$2,051,000 from a year ago. The analysis that follows focuses on the cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2016	2015
Receipts		
Program Receipts		
Charges for Service	\$718	\$851
Operating Grants	1,639	1,411
Capital Grants	838	1,110
General Receipts		
TIF	1,963	1,811
Property Tax	4,322	4,027
Debt Proceeds	75	5,995
Other General Receipts	1,685	2,075
Total Receipts	11,240	17,280
Disbursements		
Public Safety	1,971	1,947
Public Works	1,519	2,090
Health and Social Services	1	1
Culture and Recreation	1,322	1,245
Community and Economic Development	555	597
General Government	1,297	1,079
Debt Service	2,026	2,155
Capital Projects	5,868	3,825
Bonds Refunded	--	5,840
Total Disbursements	14,559	18,779
Change in Cash Basis Net Position Before Transfers	(3,319)	(1,499)
Transfers, net	1,268	952
Change in Cash Basis Net Position	(2,051)	(547)
Cash Basis Net Position Beginning of Year	8,667	9,214
Cash Basis Net Position End of Year	\$6,616	\$8,667

The City's total receipts for governmental activities decreased 35.0% or approximately \$6,040,000. The total cost of all programs and services decreased by approximately 22.5% or approximately \$4,220,000, due to a decrease in refunding bond expenditures.

The cost of all governmental activities this year was approximately \$14,559,000 compared to approximately \$18,779,000 last year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2016	2015
Receipts		
Program Receipts		
Charges for Service		
Water	\$1,443	\$1,600
Sewer	1,631	1,579
Solid waste	1,231	1,141
Storm sewer	312	298
	4,617	4,618
General Receipts		
Other General Receipts	196	167
Total Receipts	4,813	4,785
Disbursements		
Water	1,307	1,363
Sewer	894	1,098
Solid waste	973	951
Storm sewer	232	195
Total Disbursements	3,406	3,607
Change in Cash Basis Net Position Before Transfers	1,407	1,178
Transfers, net	(1,268)	(952)
Change in Cash Basis Net Position	139	226
Cash Basis Net Position - Beginning of Year	2,799	2,573
Cash Basis Net Position - End of Year	\$2,938	\$2,799

Total business type activities receipts for the fiscal year were approximately \$4,813,000 compared to approximately \$4,785,000 last year. The cash balance increased by approximately 5.0% or \$139,000 from the prior year. Total disbursements and transfers for the fiscal year increased by approximately 2.5% to a total of approximately \$4,674,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Grinnell completed the year, its governmental funds reported a combined fund balance of \$6,615,756, a decrease of \$2,050,814 from last year's total of \$8,666,570. The following are changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$69,891 from the prior year to \$1,268,801.
- The Road Use Fund cash balance increased by \$273,114 from the prior year to \$687,018.
- The Equipment Replacement Fund cash balance decreased by \$507,837 to \$1,566,690.
- The Tax Increment Financing Fund cash balance increased \$14,054 to \$271,279.
- The Employee Benefits Fund cash balance increased \$46,817 to \$527,974.
- The Debt Service Fund cash balance increased \$42,224 to \$189,936.
- The Capital Projects Fund cash balance decreased by \$1,844,936 to \$292,915.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$163,345 to \$669,900.
- The Sewer Fund cash balance decreased by \$35,327 to \$1,017,957.
- The Solid Waste cash balance increased by \$163,114 to \$617,816.
- The Storm Sewer cash balance decreased by \$152,178 to \$632,702.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once, which increased budgeted disbursements by \$783,493. The budget increase was primarily for disbursements in the general government, capital projects, and business type/enterprise functions.

The City's total receipts and disbursements were less than budgeted by \$2,359,607 and \$3,166,157, respectively. The City's disbursements were less than amounts budgeted for all of the functions.

## DEBT ADMINISTRATION

At June 30, 2016, the City had \$14,244,500 in general obligation bonds and notes, compared to \$15,709,207 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2016	2015
General Obligation Notes and Bonds	\$14,245	\$15,709

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa Limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$14,244,500 is below its constitutional debt limit by approximately \$11,381,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Grinnell elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for various City activities.

The City of Grinnell began collecting a 1% franchise fee on gas and electric utilities beginning in October 2014. In January 2016, the gas and electric fee will increase to 4%, which is expected to generate approximately \$495,000 annually and recorded in the General Fund. These fees were implemented to offset future property tax losses anticipated by the property tax reform approved by the Iowa Legislature in FY 2014.

We will also see the Tax Increment Financing dollars being utilized to assist with the continuation of the Central Business District Phase 5, Central Park Improvement Project; CDBG Downtown Revitalization Project, TIF Rebate and Forgivable Loan Agreements and future economic development projects.

The city retired the Sanitary Sewer and Water Revenue Bonds in FY 2015 which places the city in good position for the new Wastewater Treatment Facility project and the Water Tower Improvement Project over the next few years. The Utility Rates should stabilize. The Storm Water Utility will provide for future capital projects to daily operations which lessen the burden to the sanitary sewer fund as well as the general fund.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact P. Kay Cmelik, City Clerk, Grinnell, Iowa.

CITY OF GRINNELL, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2016

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,971,259	\$ 67,156	\$ 4,972
Public works	1,518,669	7,235	1,184,750
Health and social services	821	--	--
Culture and recreation	1,322,184	438,431	133,244
Community and economic development	554,911	181,492	178,547
General government	1,297,022	23,805	120,113
Debt service	2,026,423	--	17,619
Capital projects	<u>5,867,967</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>14,559,256</u>	<u>718,119</u>	<u>1,639,245</u>
Business type activities:			
Water	1,307,160	1,442,804	--
Sewer	893,732	1,631,132	--
Solid waste	973,497	1,231,509	--
Storm sewer	<u>231,976</u>	<u>311,648</u>	<u>--</u>
Total business type activities	<u>3,406,365</u>	<u>4,617,093</u>	<u>--</u>
Total	<u>\$ 17,965,621</u>	<u>\$ 5,335,212</u>	<u>\$ 1,639,245</u>
General Receipts and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Hotel motel tax			
Local option sales tax			
Unrestricted interest on investments			
Debt proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$( 1,899,131)	\$ --	\$( 1,899,131)
--	( 326,684)	--	( 326,684)
--	( 821)	--	( 821)
--	( 750,509)	--	( 750,509)
--	( 194,872)	--	( 194,872)
--	( 1,153,104)	--	( 1,153,104)
--	( 2,008,804)	--	( 2,008,804)
<u>838,254</u>	<u>( 5,029,713)</u>	<u>--</u>	<u>( 5,029,713)</u>
<u>838,254</u>	<u>( 11,363,638)</u>	<u>--</u>	<u>( 11,363,638)</u>
--	--	135,644	135,644
--	--	737,400	737,400
--	--	258,012	258,012
<u>--</u>	<u>--</u>	<u>79,672</u>	<u>79,672</u>
<u>--</u>	<u>--</u>	<u>1,210,728</u>	<u>1,210,728</u>
<u>\$ 838,254</u>	<u>( 11,363,638)</u>	<u>1,210,728</u>	<u>( 10,152,910)</u>
	3,907,739	--	3,907,739
	413,778	--	413,778
	1,963,204	--	1,963,204
	332,306	--	332,306
	927,718	--	927,718
	42,772	16,830	59,602
	74,500	--	74,500
	382,177	180,026	562,203
	<u>1,268,630</u>	<u>( 1,268,630)</u>	<u>--</u>
	<u>9,312,824</u>	<u>( 1,071,774)</u>	<u>8,241,050</u>
	( 2,050,814)	138,954	( 1,911,860)
	<u>8,666,570</u>	<u>2,799,421</u>	<u>11,465,991</u>
	<u>\$ 6,615,756</u>	<u>\$ 2,938,375</u>	<u>\$ 9,554,131</u>

CITY OF GRINNELL, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2016

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Debt service		
Capital projects		
Urban renewal purposes		
Streets		
Equipment		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.



Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 516,615	\$ --	\$ 516,615
	189,936	--	189,936
	292,915	--	292,915
	271,279	--	271,279
	687,018	--	687,018
	1,566,690	--	1,566,690
	1,822,502	--	1,822,502
	<u>1,268,801</u>	<u>2,938,375</u>	<u>4,207,176</u>
	<u>\$ 6,615,756</u>	<u>\$ 2,938,375</u>	<u>\$ 9,554,131</u>

CITY OF GRINNELL, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

	<u>General</u>	<u>Special Revenue</u> <u>Road Use</u>	<u>Equipment</u> <u>Replacement</u>
Receipts:			
Property tax	\$ 2,233,409	\$ --	\$ --
Tax increment financing	--	--	--
Other city tax	419,542	--	--
Licenses and permits	12,910	--	--
Use of money and property	126,137	--	9,147
Intergovernmental	298,181	1,139,154	2,000
Charges for service	485,634	--	--
Miscellaneous	323,994	--	22,449
Total receipts	<u>3,899,807</u>	<u>1,139,154</u>	<u>33,596</u>
Disbursements:			
Operating:			
Public safety	1,665,562	--	--
Public works	167,935	782,707	568,027
Health and social services	821	--	--
Culture and recreation	1,277,539	--	--
Community and economic development	268,184	--	--
General government	382,040	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>3,762,081</u>	<u>782,707</u>	<u>568,027</u>
Excess (deficiency) of receipts over (under) disbursements	137,726	356,447	( 534,431)
Other financing sources (uses):			
Debt proceeds	--	--	--
Operating transfers in	187,545	--	426,594
Operating transfers out	( 255,380)	( 83,333)	( 400,000)
Total other financing sources (uses)	<u>( 67,835)</u>	<u>( 83,333)</u>	<u>26,594</u>
Net change in cash balances	69,891	273,114	( 507,837)
Cash balances beginning of year	<u>1,198,910</u>	<u>413,904</u>	<u>2,074,527</u>
Cash balances end of year	<u>\$ 1,268,801</u>	<u>\$ 687,018</u>	<u>\$ 1,566,690</u>

(continued next page)

Special Revenue		Debt Service	Capital Projects	Nonmajor	Total
Tax Increment Financing	Employee Benefits				
\$ --	\$ 1,166,206	\$ 408,134	\$ --	\$ --	\$ 3,807,749
1,963,204	--	--	--	--	1,963,204
--	88,582	5,644	--	1,260,024	1,773,792
--	--	--	--	--	12,910
1,373	2,721	4,212	5,382	7,734	156,706
--	--	17,619	939,397	4,000	2,400,351
--	--	--	--	--	485,634
--	693	--	70,000	147,830	564,966
<u>1,964,577</u>	<u>1,258,202</u>	<u>435,609</u>	<u>1,014,779</u>	<u>1,419,588</u>	<u>11,165,312</u>
--	305,697	--	--	--	1,971,259
--	--	--	--	--	1,518,669
--	--	--	--	--	821
--	--	--	--	44,645	1,322,184
214,517	--	--	--	72,210	554,911
--	753,139	--	--	161,843	1,297,022
--	--	2,026,423	--	--	2,026,423
--	--	--	5,867,967	--	5,867,967
<u>214,517</u>	<u>1,058,836</u>	<u>2,026,423</u>	<u>5,867,967</u>	<u>278,698</u>	<u>14,559,256</u>
1,750,060	199,366	( 1,590,814)	( 4,853,188)	1,140,890	( 3,393,944)
--	--	74,500	--	--	74,500
--	--	1,992,994	3,038,346	177,500	5,822,979
( 1,736,006)	( 152,549)	( 434,456)	( 30,094)	( 1,462,531)	( 4,554,349)
<u>( 1,736,006)</u>	<u>( 152,549)</u>	<u>1,633,038</u>	<u>3,008,252</u>	<u>( 1,285,031)</u>	<u>1,343,130</u>
14,054	46,817	42,224	( 1,844,936)	( 144,141)	( 2,050,814)
<u>257,225</u>	<u>481,157</u>	<u>147,712</u>	<u>2,137,851</u>	<u>1,955,284</u>	<u>8,666,570</u>
<u>\$ 271,279</u>	<u>\$ 527,974</u>	<u>\$ 189,936</u>	<u>\$ 292,915</u>	<u>\$ 1,811,143</u>	<u>\$ 6,615,756</u>

CITY OF GRINNELL, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2016

	<u>General</u>	<u>Special Revenue</u> <u>Road Use</u>	<u>Equipment</u> <u>Replacement</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Debt service	--	--	--
Capital projects	--	--	--
Urban renewal purpose	--	--	--
Streets	--	687,018	--
Equipment	--	--	1,566,690
Other purposes	--	--	--
Unassigned	<u>1,268,801</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 1,268,801</u>	<u>\$ 687,018</u>	<u>\$ 1,566,690</u>

The accompanying notes are an integral part of these statements.

Special Revenue							
Tax Increment Financing	Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total		
\$ --	\$ --	\$ --	\$ --	\$ 516,615	\$ 516,615		
--	--	189,936	--	--	189,936		
--	--	--	292,915	--	292,915		
271,279	--	--	--	--	271,279		
--	--	--	--	--	687,018		
--	--	--	--	--	1,566,690		
--	527,974	--	--	1,294,528	1,822,502		
--	--	--	--	--	1,268,801		
<u>\$ 271,279</u>	<u>\$ 527,974</u>	<u>\$ 189,936</u>	<u>\$ 292,915</u>	<u>\$ 1,811,143</u>	<u>\$ 6,615,756</u>		

CITY OF GRINNELL, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2016

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$ --	\$ 8,600
Charges for service	<u>1,442,804</u>	<u>1,622,532</u>
Total operating receipts	<u>1,442,804</u>	<u>1,631,132</u>
Operating disbursements:		
Business type activities	<u>1,307,160</u>	<u>893,732</u>
Total operating disbursements	<u>1,307,160</u>	<u>893,732</u>
Excess of operating receipts over operating disbursements	135,644	737,400
Non-operating receipts (disbursements):		
Interest on investments	3,243	6,816
Miscellaneous	<u>122,837</u>	<u>9,951</u>
Total non-operating receipts (disbursements)	<u>126,080</u>	<u>16,767</u>
Excess of receipts over disbursements	261,724	754,167
Operating transfers out	<u>( 98,379)</u>	<u>( 789,494)</u>
Total operating transfers in (out), net	<u>( 98,379)</u>	<u>( 789,494)</u>
Change in cash balances	163,345	( 35,327)
Cash balances beginning of year	<u>506,555</u>	<u>1,053,284</u>
Cash balances end of year	<u>\$ 669,900</u>	<u>\$ 1,017,957</u>
Cash Basis Fund Balances		
Unrestricted	<u>\$ 669,900</u>	<u>\$ 1,017,957</u>
Total cash basis fund balances	<u>\$ 669,900</u>	<u>\$ 1,017,957</u>

The accompanying notes are an integral part of these statements.

Enterprise		
<u>Solid Waste</u>	<u>Storm Sewer</u>	<u>Total</u>
\$ --	\$ --	\$ 8,600
<u>1,231,509</u>	<u>311,648</u>	<u>4,608,493</u>
1,231,509	311,648	4,617,093
<u>973,497</u>	<u>231,976</u>	<u>3,406,365</u>
973,497	231,976	3,406,365
258,012	79,672	1,210,728
2,862	3,909	16,830
<u>3,238</u>	<u>44,000</u>	<u>180,026</u>
6,100	47,909	196,856
264,112	127,581	1,407,584
( 100,998)	( 279,759)	( 1,268,630)
<u>( 100,998)</u>	<u>( 279,759)</u>	<u>( 1,268,630)</u>
163,114	( 152,178)	138,954
<u>454,702</u>	<u>784,880</u>	<u>2,799,421</u>
<u>\$ 617,816</u>	<u>\$ 632,702</u>	<u>\$ 2,938,375</u>
<u>\$ 617,816</u>	<u>\$ 632,702</u>	<u>\$ 2,938,375</u>
<u>\$ 617,816</u>	<u>\$ 632,702</u>	<u>\$ 2,938,375</u>

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grinnell, Iowa is a political subdivision of the State of Iowa located in Poweshiek County. It was first incorporated in 1865 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, storm sewer, and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Grinnell has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Grinnell has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Poweshiek County Assessor's Conference Board, Poweshiek County Emergency Management Commission, and the Poweshiek County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.



CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Equipment Replacement Fund is used to account for purchase and rental of equipment.

The Tax Increment Financing Fund is used to account for urban renewal tax increment financing collections and the repayment of tax increment financing indebtedness.

The Employee Benefits Fund is used to account for property tax collections for the payment of payroll taxes and other employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for the acquisition and construction of capital improvements.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation of the City's residential and commercial waste collection, composting and recycling.

The Storm Sewer Fund accounts for the operation of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the fair value disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the general obligation notes and bonds are as follows:

Year Ending June 30,	General Obligation Notes & Bonds	
	Principal	Interest
2017	\$ 1,709,500	\$ 348,997
2018	1,670,000	311,976
2019	1,400,000	271,081
2020	1,435,000	236,080
2021	1,390,000	205,641
2022 - 2026	6,105,000	551,139
2027 - 2029	535,000	31,738
	<u>\$ 14,244,500</u>	<u>\$ 1,956,652</u>

NOTE 4 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 - PENSION PLAN - Continued

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$192,213.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$1,599,982 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.032385%, which was an increase of 0.000061% from its proportion measured as of June 30, 2014.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 - PENSION PLAN - Continued

For the year ended June 30, 2016 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$134,930, \$307,615 and \$372,549 respectively.

There were no non-employee contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rate of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	100%	

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 - PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 2,801,281	\$ 1,599,982	\$ 586,000

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

NOTE 5 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI)

Plan Description - MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Grinnell are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) -  
Continued

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability benefits may be either accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation for those with 5 or more years of service or the member's service retirement benefit calculation amount and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.



CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) -  
Continued

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2016.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 27.77% for the year ended June 30, 2016.

The City's contributions to MFPRSI for the year ended June 30, 2016 was \$305,697.

If approved by the state legislature, state appropriation may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 - Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2016.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$1,802,473 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's proportion was 0.383656% which was a decrease of 0.023544% from its proportions measured as of June 30, 2014.

For the year ended June 30, 2016 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$167,328, \$488,856, and \$493,394 respectively.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) -  
Continued

Actuarial Assumptions - The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00%
Salary increases	4.50 to 15.00%, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 1/12 of the 1971 GAM table and 11/12 of the 1994 GAB table with no projection of future mortality improvement.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of MFPRSI investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	12.5	7.0
<b>Core Investments</b>	<u>40.0%</u>	
<b>Tactical Asset Allocation</b>	35.0	6.0
<b>Private Equity</b>	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	5.0	6.8
<b>Real Estate</b>	<u>10.0</u>	
Total	<u>100.0%</u>	

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) -  
Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	\$ 3,138,159	\$ 1,802,473	\$ 692,674

MFPRSI's Fiduciary Net Position - Detailed information about the MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time, and sick leave payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation and Comp Time	\$ 158,000
Sick Leave	337,000
Total	<u>\$ 495,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 62,500
	Employee Benefits	71,045
	Tax Increment Financing	10,000
	Library Gifts	18,000
	Enterprise:	
	Water	13,000
	Sewer	13,000
		<u>187,545</u>
Special Revenue:		
Local Option Sales Tax	General	68,000
Special Revenue:	Special Revenue:	
Equipment Replacement	Road Use	60,000
	Capital Projects	30,094
	Enterprise:	
	Sewer	234,000
	Solid Waste	92,500
	Storm Sewer	10,000
		<u>426,594</u>
Special Revenue:	Special Revenue:	
Insurance Reserve	Employee Benefits	81,504
	Enterprise:	
	Water	8,752
	Sewer	9,487
	Solid Waste	8,498
	Storm Sewer	1,259
		<u>109,500</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	1,008,488
	Tax Increment Financing	984,506
		<u>1,992,994</u>
Capital Projects	General	187,380
	Special Revenue:	
	Local Option Sales Tax	218,543
	Hotel Motel Tax	155,000
	Tax Increment Financing	741,500
	Road Use	23,333
	Equipment Replacement	400,000
	Debt Service	434,456
	Enterprise:	
	Water	76,627
	Sewer	533,007
	Storm Sewer	268,500
		<u>3,038,346</u>
		<u>\$ 5,822,979</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 8 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There has been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were approximately \$172,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 8 - RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been disclosed in the City's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with airport liability, construction risk, volunteer coverage, workers' compensation, and employee blanket bond. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical benefits for employees and retirees. There are 58 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with a commercial insurance carrier. Retirees under age 65 pay the same premium for the medical benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$617 for single coverage and \$1,488 for family coverage. For the year ended June 30, 2016, the City contributed \$103,422 and plan members eligible for benefits contributed \$97,360 to the plan.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 10 - HOSPITAL REVENUE REFUNDING BONDS

The City has issued a total of \$4.0 million of Hospital Revenue Refunding Bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3.83 million is outstanding at June 30, 2016. The bonds and related interest are payable solely from the revenues of the Grinnell Regional Medical Center, and the bond principal and interest do not constitute liabilities of the City.

NOTE 11 - DEFICIT BALANCE

The Sports Authority fund, GMRC Rise Project fund, Highway 146 North Project fund, Capital Loan Notes 2013 fund, Highway 146 & I80 Signal Map fund, I80 Interchange Project fund and CBD Phase 5 fund had deficit balances at June 30, 2016 in the amounts of \$3,249, \$31,213, \$338,523, \$1,239, \$230,336, \$58,410, and \$445,017, respectively. The deficit balances were a result of project costs incurred prior to availability of funds.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent Events

The City has evaluated all subsequent events through January 16, 2017, the date the financial statements were available to be issued.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

The City has entered into several construction contracts totaling approximately \$11,423,000 that are still in process as of June 30, 2016. The net remaining amount committed to these contracts is approximately \$10,102,000, which will be paid with existing capital project funds, debt proceeds, local option sales tax revenue, tax increment financing revenues, grant proceeds, and donations.

\* \* \*

## OTHER INFORMATION



CITY OF GRINNELL, IOWA  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION

Year ended June 30, 2016

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 3,807,749	\$ --	\$ 3,807,749
Tax increment financing	1,963,204	--	1,963,204
Other city tax	1,773,792	--	1,773,792
Licenses and permits	12,910	--	12,910
Use of money and property	156,706	25,430	182,136
Intergovernmental	2,400,351	--	2,400,351
Charges for service	485,634	4,608,493	5,094,127
Miscellaneous	564,966	180,026	744,992
Total receipts	<u>11,165,312</u>	<u>4,813,949</u>	<u>15,979,261</u>
Disbursements:			
Public safety	1,971,259	--	1,971,259
Public works	1,518,669	--	1,518,669
Health and social services	821	--	821
Culture and recreation	1,322,184	--	1,322,184
Community and economic development	554,911	--	554,911
General government	1,297,022	--	1,297,022
Debt service	2,026,423	--	2,026,423
Capital projects	5,867,967	--	5,867,967
Business type activities	--	3,406,365	3,406,365
Total disbursements	<u>14,559,256</u>	<u>3,406,365</u>	<u>17,965,621</u>
Excess (deficiency) of receipts over (under) disbursements	( 3,393,944)	1,407,584	( 1,986,360)
Other financing sources (uses), net	<u>1,343,130</u>	<u>( 1,268,630)</u>	<u>74,500</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	( 2,050,814)	138,954	( 1,911,860)
Balances beginning of year	<u>8,666,570</u>	<u>2,799,421</u>	<u>11,465,991</u>
Balances end of year	<u>\$ 6,615,756</u>	<u>\$ 2,938,375</u>	<u>\$ 9,554,131</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
\$ 3,817,572	\$ 3,817,572	\$ ( 9,823)
2,006,618	2,006,618	( 43,414)
1,766,432	1,843,316	( 69,524)
2,550	3,186	9,724
225,022	190,601	( 8,465)
3,435,099	3,576,856	( 1,176,505)
5,400,130	5,388,267	( 294,140)
1,176,606	1,512,452	( 767,460)
<u>17,830,029</u>	<u>18,338,868</u>	<u>( 2,359,607)</u>
2,097,311	2,093,384	122,125
1,703,705	1,762,495	243,826
2,000	2,000	1,179
1,247,331	1,350,387	28,203
780,639	847,810	292,899
1,798,569	2,000,254	703,232
2,009,624	2,026,424	1
6,708,049	6,929,325	1,061,358
4,001,057	4,119,699	713,334
<u>20,348,285</u>	<u>21,131,778</u>	<u>3,166,157</u>
( 2,518,256)	( 2,792,910)	806,550
<u>--</u>	<u>--</u>	<u>74,500</u>
( 2,518,256)	( 2,792,910)	881,050
<u>10,547,593</u>	<u>11,465,995</u>	<u>( 4)</u>
<u>\$ 8,029,337</u>	<u>\$ 8,673,085</u>	<u>\$ 881,046</u>

CITY OF GRINNELL, IOWA  
NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$783,493. The budget amendment is reflected in the final budgeted amount.

See accompanying independent auditor's report.

CITY OF GRINNELL, IOWA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TWO YEARS\*

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.032385%	0.032324%
City's proportionate share of the net pension liability	\$ 1,600,000	\$ 1,308,000
City's covered-employee payroll:	\$ 2,239,000	\$ 2,159,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.46%	60.58%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF GRINNELL, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 9 FISCAL YEARS

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 192,000	\$ 200,000	\$ 193,000	\$ 186,000
Contributions in relation to the statutorily required contribution	<u>( 192,000)</u>	<u>( 200,000)</u>	<u>( 193,000)</u>	<u>( 186,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 2,170,000	\$ 2,239,000	\$ 2,159,000	\$ 2,140,000
Contributions as a percentage of covered-employee payroll	8.85%	8.93%	8.93%	8.69%

Note: Amounts are rounded.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 169,000	\$ 143,000	\$ 138,000	\$ 121,000	\$ 110,000
<u>( 169,000)</u>	<u>( 143,000)</u>	<u>( 138,000)</u>	<u>( 121,000)</u>	<u>( 110,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 2,094,000	\$ 2,057,000	\$ 2,049,000	\$ 1,898,000	\$ 1,819,000
8.07%	6.95%	6.73%	6.35%	6.05%

CITY OF GRINNELL, IOWA  
NOTES TO OTHER INFORMATION - IPERS PENSION LIABILITY  
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

\* \* \*

See accompanying independent auditor's report.

CITY OF GRINNELL, IOWA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
FOR THE LAST TWO YEARS\*  
OTHER INFORMATION

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.383656%	0.407200%
City's proportionate share of the net pension liability	\$ 1,802,000	\$ 1,476,000
City's covered-employee payroll:	\$ 1,006,000	\$ 1,006,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.13%	146.72%
Plan fiduciary net position as a percentage of the total pension liability	83.04%	86.27%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.



CITY OF GRINNELL, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
LAST 9 FISCAL YEARS

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 306,000	\$ 306,000	\$ 303,000	\$ 261,000
Contributions in relation to the statutorily required contribution	<u>( 306,000)</u>	<u>( 306,000)</u>	<u>( 303,000)</u>	<u>( 261,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,101,000	\$ 1,006,000	\$ 1,006,000	\$ 997,000
Contributions as a percentage of covered-employee payroll	27.79%	30.41%	30.12%	26.18%

Note: Amounts are rounded.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 253,000	\$ 189,000	\$ 164,000	\$ 165,000	\$ 207,000
<u>( 253,000)</u>	<u>( 189,000)</u>	<u>( 164,000)</u>	<u>( 165,000)</u>	<u>( 207,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 1,025,000	\$ 951,000	\$ 966,000	\$ 880,000	\$ 810,000
24.68%	19.87%	16.98%	18.75%	25.56%

CITY OF GRINNELL, IOWA  
NOTES TO OTHER INFORMATION - MFPRSI PENSION LIABILITY  
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

One additional step was taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The one additional step results in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

See accompanying independent auditor's report.

## SUPPLEMENTARY INFORMATION

CITY OF GRINNELL, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

	Special Revenue	
	Local Option Sales Tax	Unemployment Reserve
Receipts:		
Other City tax	\$ 927,718	\$ --
Use of money and property	4,340	138
Intergovernmental	--	--
Miscellaneous	95,000	--
Total receipts	<u>1,027,058</u>	<u>138</u>
Disbursements:		
Operating:		
Culture and recreation	--	--
Community and economic development	3,400	--
General government	--	--
Total disbursements	<u>3,400</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	1,023,658	138
Other financing sources (uses):		
Operating transfers in	68,000	--
Operating transfers out	( 1,227,031)	--
Total other financing sources (uses)	<u>( 1,159,031)</u>	<u>--</u>
Net change in cash balances	( 135,373)	138
Cash balances beginning of year	<u>770,531</u>	<u>24,882</u>
Cash balances end of year	<u>\$ 635,158</u>	<u>\$ 25,020</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ --	\$ --
Restricted for:		
Other purposes	<u>635,158</u>	<u>25,020</u>
Total cash basis fund balances	<u>\$ 635,158</u>	<u>\$ 25,020</u>

(continued next page)

Special Revenue			
Insurance Deductible	Insurance Reserve	Insurance Escrow	Hotel Motel Tax
\$ --	\$ --	\$ --	\$ 332,306
340	859	--	1,147
--	--	--	--
--	14,770	--	950
<u>340</u>	<u>15,629</u>	<u>--</u>	<u>334,403</u>
--	--	--	--
--	--	--	68,810
--	<u>161,843</u>	--	--
<u>--</u>	<u>161,843</u>	<u>--</u>	<u>68,810</u>
340	( 146,214)	--	265,593
--	109,500	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>( 217,500)</u>
--	109,500	--	( 217,500)
340	( 36,714)	--	48,093
<u>67,117</u>	<u>166,021</u>	<u>9,790</u>	<u>196,406</u>
<u>\$ 67,457</u>	<u>\$ 129,307</u>	<u>\$ 9,790</u>	<u>\$ 244,499</u>
\$ --	\$ --	\$ --	\$ --
<u>67,457</u>	<u>129,307</u>	<u>9,790</u>	<u>244,499</u>
<u>\$ 67,457</u>	<u>\$ 129,307</u>	<u>\$ 9,790</u>	<u>\$ 244,499</u>

CITY OF GRINNELL, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2016

	<u>Special Revenue Library Gifts</u>	<u>Permanent Cemetery Perpetual Care</u>
Receipts:		
Other City tax	\$       --	\$       --
Use of money and property	910	--
Intergovernmental	4,000	--
Miscellaneous	<u>32,389</u>	<u>4,721</u>
Total receipts	37,299	4,721
Disbursements:		
Operating:		
Culture and recreation	44,645	--
Community and economic development	--	--
General government	<u>--</u>	<u>--</u>
Total disbursements	<u>44,645</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	(       7,346)	4,721
Other financing sources (uses):		
Operating transfers in	--	--
Operating transfers out	<u>(   18,000)</u>	<u>--</u>
Total other financing sources (uses)	<u>(   18,000)</u>	<u>--</u>
Net change in cash balances	(   25,346)	4,721
Cash balances beginning of year	<u>208,643</u>	<u>508,674</u>
Cash balances end of year	<u>\$   183,297</u>	<u>\$   513,395</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$       --	\$   513,395
Restricted for:		
Other purposes	<u>183,297</u>	<u>--</u>
Total cash basis fund balances	<u>\$   183,297</u>	<u>\$   513,395</u>

See accompanying independent auditor's report.

<u>Permanent Cemetery Trees</u>	<u>Total</u>
\$ --	\$ 1,260,024
--	7,734
--	4,000
--	<u>147,830</u>
--	1,419,588
--	44,645
--	72,210
--	<u>161,843</u>
--	<u>278,698</u>
--	1,140,890
--	177,500
--	<u>( 1,462,531)</u>
--	<u>( 1,285,031)</u>
--	( 144,141)
<u>3,220</u>	<u>1,955,284</u>
<u>\$ 3,220</u>	<u>\$ 1,811,143</u>
\$ 3,220	\$ 516,615
--	<u>1,294,528</u>
<u>\$ 3,220</u>	<u>\$ 1,811,143</u>



CITY OF GRINNELL, IOWA  
SCHEDULE OF INDEBTEDNESS  
Year ended June 30, 2016

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes and Bonds:			
2006 B Capital Loan Note	May 15, 2006	6.50%	\$ 108,755
2008 Refunding Capital Loan Notes	April 1, 2008	4.40%	200,000
2008 Local Option Sales Tax Bonds	May 1, 2008	3.75 - 4.00%	6,500,000
2009 Local Option Sales Tax Bonds	February 1, 2009	2.40 - 3.80%	3,700,000
2009 Urban Renewal Refunding Bonds	October 1, 2009	2.25 - 4.45%	1,900,000
2011 Urban Renewal Refunding Bonds	December 1, 2011	.5 - 1.45%	2,765,000
2013 Urban Renewal Bonds A	December 19, 2013	1.00-2.00%	280,000
2013 Urban Renewal Bonds B	December 19, 2013	2.00-2.55%	3,720,000
2014 Local Option Sales Tax Bonds	September 18, 2014	2.00-3.00%	5,995,000
2016 General Obligation Bonds A	June 20, 2016	2.00-3.00%	7,460,000
Total General Obligation Notes and Bonds			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 14,207	\$ --	\$ 14,207	\$ --	\$ 923	\$ --
115,000	--	65,000	50,000	5,060	183
660,000	--	--	660,000	252,125	2,063
1,330,000	--	540,000	790,000	47,250	2,408
1,365,000	--	120,000	1,245,000	49,113	3,843
2,310,000	--	710,000	1,600,000	27,615	1,769
200,000	--	90,000	110,000	3,025	158
3,720,000	--	--	3,720,000	81,805	6,817
5,995,000	--	--	5,995,000	--	11,843
<u>--</u>	<u>74,500</u>	<u>--</u>	<u>74,500</u>	<u>--</u>	<u>--</u>
<u>\$15,709,207</u>	<u>\$ 74,500</u>	<u>\$1,539,207</u>	<u>\$ 14,244,500</u>	<u>\$ 466,916</u>	<u>\$ 29,084</u>

CITY OF GRINNELL, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2016

General Obligation Bonds and Notes						
Year ending June 30,	2008 Local Option Sales Tax Bonds		2008 Refunding Capital Loan Notes		2009 Local Option Sales Tax Bonds	
	Issued May 1, 2008		Issued April 1, 2008		Issued February 1, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2017		\$ --	4.40%	\$ 25,000	3.60%	\$ 565,000
2018	3.75%	340,000	4.40%	25,000	3.80%	225,000
2019	3.75%	320,000		--		--
2020		--		--		--
2021		--		--		--
2022		--		--		--
2023		--		--		--
2024		--		--		--
2025		--		--		--
2026		--		--		--
2027		--		--		--
2028		--		--		--
2029		--		--		--
		<u>\$ 660,000</u>		<u>\$ 50,000</u>		<u>\$ 790,000</u>

(continued next page)

See accompanying independent auditor's report.

## General Obligation Bonds and Notes

2009 Urban Renewal Refunding Bonds Issued October 1, 2009		2011 Urban Renewal Refunding Bonds Issued December 1, 2011		2013 Urban Renewal Bonds Issued December 19, 2013		2013 Urban Renewal Bonds Issued December 19, 2013	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
3.00%	\$ 130,000	1.20%	\$ 790,000	1.50%	\$ 60,000		\$ --
3.00%	135,000	1.45%	810,000	2.00%	50,000		--
3.00%	140,000		--		--	2.00%	590,000
3.20%	145,000		--		--	2.00%	600,000
4.00%	65,000		--		--	2.00%	610,000
4.00%	65,000		--		--	2.25%	625,000
4.00%	70,000		--		--	2.35%	640,000
4.20%	75,000		--		--	2.55%	655,000
4.20%	75,000		--		--		--
4.25%	80,000		--		--		--
4.25%	85,000		--		--		--
4.45%	90,000		--		--		--
4.45%	90,000		--		--		--
	<u>\$1,245,000</u>		<u>\$1,600,000</u>		<u>\$ 110,000</u>		<u>\$3,720,000</u>

CITY OF GRINNELL, IOWA  
BOND AND NOTE MATURITIES - Continued  
June 30, 2016

Year ending June 30,	General Obligation Bonds and Notes				
	2014 Local Option Sales Tax Bonds		2016 General Obligation Bonds		Total
	Issued September 18, 2014		Issued June 20, 2016		
	Interest Rates	Amount	Interest Rates	Amount	
2017	2.00%	\$ 65,000	2.00%	\$ 74,500	\$ 1,709,500
2018	2.00%	85,000	--	--	1,670,000
2019	2.00%	350,000	--	--	1,400,000
2020	2.00%	690,000	--	--	1,435,000
2021	2.00%	715,000	--	--	1,390,000
2022	2.00%	735,000	--	--	1,425,000
2023	2.25%	745,000	--	--	1,455,000
2024	2.50%	760,000	--	--	1,490,000
2025	2.75%	780,000	--	--	855,000
2026	3.00%	800,000	--	--	880,000
2027	3.00%	270,000	--	--	355,000
2028		--		--	90,000
2029		--		--	90,000
		<u>\$5,995,000</u>		<u>\$ 74,500</u>	<u>\$ 14,244,500</u>

CITY OF GRINNELL, IOWA  
SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
For the Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Receipts:				
Property tax	\$ 3,807,749	\$ 3,770,195	\$ 3,768,602	\$ 3,699,917
Tax increment financing	1,963,204	1,811,065	1,698,609	1,725,321
Other city tax	1,773,792	1,649,866	1,300,279	1,187,763
Licenses and permits	12,910	15,791	71,400	70,729
Use of money and property	156,706	317,872	197,433	213,365
Intergovernmental	2,400,351	2,197,370	3,138,796	1,793,317
Charges for service	485,634	470,858	496,021	441,162
Special assessments	--	--	--	--
Miscellaneous	<u>564,966</u>	<u>664,082</u>	<u>462,930</u>	<u>1,729,822</u>
Total	<u>\$ 11,165,312</u>	<u>\$ 10,897,099</u>	<u>\$ 11,134,070</u>	<u>\$ 10,861,396</u>
Disbursements:				
Operating:				
Public safety	\$ 1,971,259	\$ 1,947,474	\$ 1,740,853	\$ 1,721,070
Public works	1,518,669	2,089,766	1,645,328	1,276,745
Health and social services	821	1,274	1,000	1,620
Culture and recreation	1,322,184	1,245,017	1,093,433	1,080,732
Community and economic development	554,911	596,593	1,081,742	1,232,641
General government	1,297,022	1,078,948	1,416,547	1,365,377
Debt service	2,026,423	2,154,619	1,809,633	1,827,961
Capital projects	<u>5,867,967</u>	<u>3,825,114</u>	<u>4,277,032</u>	<u>1,800,931</u>
Total	<u>\$ 14,559,256</u>	<u>\$ 12,938,805</u>	<u>\$ 13,065,568</u>	<u>\$ 10,307,077</u>

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 3,721,305	\$ 3,603,350	\$ 3,452,308	\$ 3,366,606	\$ 3,087,015	\$ 2,999,391
1,403,920	1,512,596	1,376,451	1,126,535	922,033	868,911
1,411,015	1,154,105	1,128,032	1,131,921	1,386,718	8,125
78,285	70,828	73,202	70,469	60,571	3,619
172,776	202,269	293,896	326,197	249,572	207,611
3,085,054	2,868,686	2,447,855	2,249,586	2,167,720	1,764,014
478,716	525,196	307,633	196,393	468,998	189,815
5,612	--	--	--	848	6,629
<u>2,625,965</u>	<u>3,025,026</u>	<u>1,682,009</u>	<u>3,568,962</u>	<u>629,659</u>	<u>2,603,867</u>
<u>\$ 12,982,648</u>	<u>\$ 12,962,056</u>	<u>\$ 10,761,386</u>	<u>\$ 12,036,669</u>	<u>\$ 8,973,134</u>	<u>\$ 8,651,982</u>
\$ 1,983,835	\$ 1,907,607	\$ 1,716,902	\$ 1,597,813	\$ 1,595,471	\$ 1,813,974
1,260,714	1,117,766	1,187,834	1,009,404	1,625,587	1,722,727
898	972	11,285	--	--	--
1,054,957	1,124,820	1,042,095	946,258	826,726	1,084,280
811,409	791,112	884,813	924,032	1,064,758	1,874,595
1,192,906	1,107,407	1,044,360	1,029,102	1,004,039	962,178
4,405,315	1,737,290	3,417,738	940,726	509,432	356,601
<u>4,934,388</u>	<u>5,177,493</u>	<u>11,310,062</u>	<u>11,624,953</u>	<u>5,434,166</u>	<u>2,302,993</u>
<u>\$ 15,644,422</u>	<u>\$ 12,964,467</u>	<u>\$ 20,615,089</u>	<u>\$ 18,072,288</u>	<u>\$ 12,060,179</u>	<u>\$ 10,117,348</u>

CITY OF GRINNELL, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2016

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-19-0039-13-2014	\$ 25,219
Total direct			
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HDP-146-2(32)-71-79	108,005
Highway Planning and Construction	20.205	STP-U-3127(627)-70-79	178,257
Highway Planning and Construction	20.205	STP-E-3127(626)-85-79	285,000
Highway Planning and Construction	20.205	UST-146-2(34)-4A-79	259,416
			<u>830,678</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant Program	14.228	14-DTR-004	91,809
Total indirect			<u>922,487</u>
			<u>\$ 947,706</u>

Basis of Presentation -The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Grinnell under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Grinnell, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Grinnell.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Grinnell has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 16, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Grinnell's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grinnell's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grinnell's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Grinnell's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and  
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 16-II-A.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Grinnell's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Responses to Findings**

The City of Grinnell's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Grinnell's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Grinnell, Ben, Kuhn & W.P. C.*

Atlantic, Iowa  
January 16, 2017

# Gronewold, Bell, Kyhnn & Co. P.C.

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## Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and  
Members of the City Council

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Grinnell, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Grinnell's major federal program for the year ended June 30, 2016. The City of Grinnell's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Grinnell's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grinnell's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Grinnell's compliance.

To the Honorable Mayor and  
Members of the City Council

### **Opinion on Each Major Federal Program**

In our opinion, the City of Grinnell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

The management of the City of Grinnell is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Grinnell's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Grinnell's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Grinnell, Ben, Kyhan & Co. P.C.*

Atlantic, Iowa  
January 16, 2017

CITY OF GRINNELL, IOWA  
Schedule Of Findings And Questioned Costs  
Year ended June 30, 2016

PART I: Summary of the Independent Auditor's Results

*Financial Statements*

- (a) Type of auditor's report issued:
- Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Internal control over financial reporting:
- Material weakness(es) identified?        yes   X   no
  - Significant deficiency(ies) identified?   X   yes        none reported
- (c) Noncompliance material to financial statements noted?        yes   X   no

*Federal Awards*

- (d) Internal control over major program:
- Material weakness(es) identified?        yes   X   no
  - Significant deficiency(ies) identified?        yes   X   none reported
- (e) Type of auditor's report issued on compliance for major program:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 200.515 of the Uniform Guidance?        yes   X   no
- (g) Identification of major program:
- CFDA Number 20.205 - Highway Planning and Construction
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- (i) Auditee qualified as low-risk auditee?   X   yes        no

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PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

16-II-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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PART III: Findings and Questioned Costs For Federal Awards

CFDA Number 20.205: Highway Planning and Construction  
Contract Numbers: HDP-146-2(32)-71-79  
Federal Award Year: 2011  
U.S. Department of Transportation

CFDA Number 20.205: Highway Planning and Construction  
Contract Numbers: STP-U-3127(627)-70-79  
Federal Award Year: 2014  
U.S. Department of Transportation

CFDA Number 20.205: Highway Planning and Construction  
Contract Numbers: STP-E-3127(626)-85-79  
Federal Award Year: 2014  
U.S. Department of Transportation

CFDA Number 20.205: Highway Planning and Construction  
Contract Numbers: UST-146-2(34)-4A-79  
Federal Award Year: 2014  
U.S. Department of Transportation

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Statutory Reporting

16-IV-A Certified Budget: Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.

16-IV-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

16-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

16-IV-D Business Transactions: In accordance with Chapter 362.5 of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.



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PART IV: Other Findings Related to Statutory Reporting - Continued

- 16-IV-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 16-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 16-IV-G Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- 16-IV-H Revenue Bonds: The City had no revenue bonds outstanding during the year ended June 30, 2016.
- 16-IV-I Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- 16-IV-J Financial Condition: The following funds had deficit balances at June 30, 2016.

General:	
Sports Authority	\$        3,249
Capital projects:	
GMRC Rise Project	31,213
Highway 146 North Project	338,523
Highway 146 and I-80 Signal Map	230,336
I-80 Interchange Project	58,410
Capital Loan Notes 2013	1,239
CBD Phase 5	445,017

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response: The deficit fund balances will be eliminated during fiscal year 2016.

Conclusion: Response accepted.

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